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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 002492

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SUBJECT: KMT VICE PRESIDENTIAL CANDIDATE VINCENT SIEW ON  
PRESIDENTIAL CAMPAIGN, CROSS-STRAIT

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Classified By: Director Stephen M. Young, Reason(s): 1.4 (B/D).

¶1. (C) Summary: KMT vice presidential candidate Vincent Siew told the Director November 9 the KMT presidential campaign strategy is to try to neutralize the "Taiwan identity" issue by convincing voters that the KMT has embraced it to the same extent as the DPP. The hope is that voters will then decide based on who can best manage the economy and cross-Straits relations, issues where the Ma-Siew ticket holds a significant advantage. An economic downturn would help the KMT, Siew argued, by forcing voters to put self-preservation before ideology. Siew predicted that Beijing will keep quiet until after Taiwan's presidential election, regardless of President Chen's provocations. But if DPP candidate Frank Hsieh wins the presidency, cross-Straits tensions could increase, especially if Chen still dominated the DPP. Siew claimed it would be much easier for China and Taiwan to resume meaningful cooperation if Ma were to win. He also promised the KMT would do a "much better" job of managing relations with the U.S. End Summary.

¶2. (C) The Director met with KMT vice presidential candidate and former economic minister Vincent Siew (Hsiao Wen-chang) at Siew's Cross-Straits Common Market Foundation (CSCMF) on November 9. Siew was accompanied by CSCMF Chief Executive Officer Douglas Hung. A relaxed, talkative Siew told the Director his recent visit to the U.S. had been a great success, enabling him to meet with many senior officials, including dozens of members of Congress. Siew said he was also well-received by the overseas Taiwanese communities in the U.S. and Canada.

MOVING TO THE MIDDLE

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¶3. (C) The Director observed that both presidential campaigns had begun to move toward the center, with DPP presidential candidate Frank Hsieh (Chang-ting) echoing KMT proposals to loosen restrictions on cross-Straits trade and investment, and KMT presidential candidate Ma Ying-jeou showing a greater sensitivity to "Taiwan identity." Siew responded that the KMT strategy is to convince voters "there is no meaningful difference" between the DPP and KMT on the question of Taiwan

identity, and that Ma and the KMT identify themselves with Taiwan and will put Taiwan's interests first. With the identity issue out of the way, Siew asserted, the KMT will handily defeat the DPP on the other issues of importance to voters, including governing competence, the economy, cross-Straight relations, and anti-corruption. Siew claimed the KMT had a lock on at least 23 of the 73 district seats up for grabs in the January 12 legislative election, leaving fifty or so seats still in play. The probability of "independent" Blue candidates running against KMT district candidates is low, Siew continued, but the risk is always there.

#### ECONOMY'S IMPACT ON RACE

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¶4. (C) Noting the global economy appears to be facing a potential downturn, the Director asked Siew if this might help the KMT win the presidential election but also make it more difficult to govern once Ma is in office. What strategies might the KMT use to sustain Taiwan's domestic economy? The KMT has traditionally used large-scale public works projects to stimulate domestic demand, Siew replied. With the exception of the high-speed railway system, he alleged, the DPP government has largely neglected Taiwan's domestic infrastructure. The KMT would also relax limits on capital returning to Taiwan from the PRC, thereby making investment in Taiwan itself more attractive and affordable.

¶5. (C) Siew, a native of Chiayi, argued that Ma's long-stay program had dramatically improved his popularity in southern Taiwan, especially in the DPP strongholds of Kaohsiung and Pingtung. Ma's popularity also improved in Chiayi and Tainan, though initial gains have receded in recent polls. Siew told the Director he and Ma visit Kaohsiung and Pingtung on a regular basis, helping them to hold on to polling gains there, but have not been able to return to Chiayi and Tainan

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as often.

#### VICTORY DEPENDS ON PARTY UNITY

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¶6. (C) Noting the tensions within both major parties, the Director asked Siew if party unity would be the deciding factor in the presidential race. The party that fractures the least will probably win, Siew replied. The KMT is trying very hard to preserve party unity, he continued. While there is dissension within the party over the "'92 Consensus" and the National Unification Guidelines, those are "long-term" issues and should be set aside until the legislative and presidential elections have passed. The most unified party, Siew reiterated, will probably win the presidential election.

¶7. (C) The Director noted that the KMT list of at-large legislative candidates announced on November 7 omitted several candidates that Ma had promised to include, giving the impression that the KMT legislative and presidential campaigns were not well-coordinated. (Note: To make the KMT at-large list more appealing to voters in the south, Ma had promised publicly to include former Chi Mei Hospital Director Steve Chan (Chi-hsien) and two relatives of "228" victims on the list. Chan, who is best-known for treating President Chen following the March 19, 2004 shooting, orchestrated Ma's recent "long-stays" in southern Taiwan. End note.) In compiling the at-large list, Siew explained, the demand to resolve conflicts among competing local factions trumped "image" concerns. According to Siew, despite his upset over the at-large list, Chan will stay with the Ma campaign.

#### CROSS-STRAIT POSSIBILITIES

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¶8. (C) The Director expressed concern that as the presidential race draws to a close, President Chen might try

to boost DPP chances by provoking a harsh response from China. Will the PRC be able to hold its criticism of Chen until after the election? Siew replied that PRC President Hu Jintao's recent remarks suggest that China is more "relaxed" about Taiwan's presidential election, and will refrain from saying or doing anything that might affect the election result. However, if Hsieh wins and it appears to Beijing that Chen still wields significant power, then cross-Straits relations could enter into a "highly uncertain and risky" period. If Hsieh is elected president, asked the Director, will President Chen be a problem for him, or will Chen's power gradually fade like that of former KMT president Lee Teng-hui? Chen will almost certainly be a problem, Siew argued, because unlike Lee, who left the KMT to found the Taiwan Solidarity Union (TSU), Chen is still active in the DPP and could remain party chairman even after he steps down as president. (Note: DPP interlocutors consistently tell us if Hsieh wins he is mandated by the party regulations to take over as DPP Chairman. End note.)

¶9. (C) On the other hand, Siew continued, if Ma returns the KMT to power, the mutual trust between the KMT and CCP will make meaningful cross-Straits cooperation much easier to achieve. The Director cautioned that Beijing might not accept talks based on the "one China, different interpretations" framework espoused by Ma. Beijing is less concerned about semantics and more concerned that the KMT win the presidency, Siew replied. If Ma wins, he continued, both sides will be more than willing to work out the details as they go along. Will it be difficult to reduce confrontation between the ruling and opposition parties, asked the Director. When he served in President Lee's cabinet, Siew replied, he had urged Lee to include DPP officials in the cabinet, and to compromise with the DPP where possible. If Ma becomes president, Siew continued, he will urge Ma to use similar strategies to foster cross-party cooperation.

#### LOOKING FORWARD

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¶10. (C) In closing, the Director remarked that the USG respected Taiwan's political process, and looks forward to working with whomever the Taiwan people elect as their

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president. After the election, the U.S. and Taiwan must work together to repair damage done to the relationship by the recent furor over the UN referendum, by focusing on the strength of the U.S.-Taiwan economic and security relationships. Siew acknowledged the U.S. as Taiwan's most important ally, and promised that a KMT government would be "much, much better" at managing Taiwan's important relationships. Siew said he and Ma understood that Taiwan is a small country with a small economy, and that nothing can be gained by damaging relationships with the U.S. and China.

#### COMMENT

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¶11. (C) Siew continues to tell us he had no expectation of returning to politics until Ma asked him to be his running mate. An accomplished administrator and economic specialist, Siew has often struck us as "too nice to succeed in politics." He earned the reputation of an uninspiring campaigner as Lien Chan's vice presidential partner in the 2000 election. That said, if elected he would be a much more formidable VP than the current incumbent.

YOUNG